



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

FACT SHEET FOR S.B. 1041

STOs; aggregate cap increase

Purpose

Increases the aggregate dollar amount of the cap on the Credit for Contributions to School Tuition Organizations for Displaced or Disabled Students.

Background

The Credit for Contributions to School Tuition Organizations for Displaced or Disabled Students is provided to corporations and insurers for voluntary donations to school tuition organizations (STOs). An STO is a nonprofit that is exempt from federal taxation and that allocates at least 90 percent of its revenue for educational scholarships or tuition grants. STO scholarships may be awarded only to students who have: 1) lived in foster care at any time prior to graduating from high school or obtaining a general equivalency diploma; or 2) been identified at any time as having a disability under Arizona or federal law. The scholarship or grant value is equal to the lesser of the private school tuition or 90 percent of the state funding that otherwise would go to that pupil had they remained in public school (A.R.S. §§ [43-1502](#) and [43-1505](#)).

Current statute prohibits the Arizona Department of Revenue (ADOR) from allowing the total credits in any fiscal year from exceeding \$5 million. The amount of the credit is the total amount of the taxpayer's contributions for the taxable year. ADOR must allow the credits on a first come, first served basis ([A.R.S. § 43-1184](#)).

If the increase of the cap on the Credit for Contributions to School Tuition Organizations for Displaced or Disabled Students results in additional claims against income tax, there may be a fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Increases the aggregate dollar amount of the cap from the previous fiscal year for the Credit for Contributions to School Tuition Organizations for Displaced or Disabled Students:
 - a) to \$10 million for FY 2022;
 - b) to \$15 million for FY 2023;
 - c) to \$20 million for FY 2024;
 - d) by the greater of two percent or the annual increase in the metropolitan Phoenix Consumer Price Index published by the U.S. Department of Labor, Bureau of Labor Statistics for FY 2025 and each fiscal year thereafter.
2. Makes technical changes.
3. Becomes effective on the general effective date.